

# FAR EASTERN ECONOMIC REVIEW

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## ANGLO-FRENCH ALLIANCE Cooperation between Hongkong and Indochina

By R. E. Jobez  
(Consul for France in Hongkong)

Long before the "Entente Cordiale," the necessity of a close cooperation between England and France in European affairs appeared to French leaders; a century ago, one of them was anticipating a European construction on top of which "Britain and France would radiate for they are the armies of the actual civilisation and they are in the XIXth century the two mother nations; they enlight to the human race the two roads towards the real and the possible; they bear two torches, one the Fact, the other the Idea."

It is so much more true in the XXth century! Two wars have made a convincing demonstration of the fact that a complete understanding between Britain and France is absolutely necessary to the peace of Europe and consequently to the peace of the world. These two wars in the course of a quarter of a century have changed the face and the equilibrium of the world. A barrier separates us from the past suddenly relegated in a sort of shadow. What is new? The first observation which is brutally evident is that the center of gravity of the world has shifted. Europe cannot at the present time play her traditional role of leader of the western civilisation, nor direct effectively the economic progress of the world. There are now two centers of gravity to the benefit either of the United States and North America, or of Russia and of a sort of sixth continent, Eurasia. So we, Europeans, have the feeling of a new universal climate, but contrary to our forebears we cannot admit necessarily that the future will be brighter than the past.

### Preservation of Western Civilisation

What is at stake is really the preservation of the western civilisation which is for many, material and mechanical progress; but a country is not civilised only because it possesses a superiority in technology. The foundation of western civilisation is of another order. In the domain of knowledge, the West embraces a certain conception of intelligence, the practice of a free spirit of criticizing, respectful

of the truth and liberated from all restraint from the authority. There is no intellectual civilisation without that respect of the freedom of the spirit. In the domain of morals and politics, western civilisation is the affirmation of the dignity of the human person, the claim to the right of the individual to be regarded as a free man, entitled to consideration, from wherever he comes and whatever his creed or race may be. Although born on the shores of the Mediterranean and inherited from the Greeks and the Romans, the western civilisation and culture is now centered around the Atlantic Ocean and during the past centuries has been enriched by worthy additions of the great liberal ideals of England and America.

No two countries in the world have made such a large contribution to the world in the spreading or the defence of western civilisation than Britain and France; in 1914 France saved Europe in the same way as Britain saved Europe in 1940 when, alone and single handed, she fought and won the Battle of Britain; and without minimizing the contribution of other nations, it can be said that those two fateful historic events have at least given to the democracies the time they needed to organise and to line up on the side of western culture and way of living. But we paid dearly for the policies carried out between the two wars, when America completely and Britain partially withdrew from the European venture.

### Common Destiny of France and Britain

Facts are different now. Britain has realised that her destiny is fundamentally linked with the destiny of the European countries and especially to the destiny of France. Consequently a realignment of her policies has taken place. Many statesmen in England think that the problem of Europe is "one and indivisible" and requires a sort of "enlarged patriotism" to quote Mr. L. S. AMERY. In the new race which is taking place Britain and

France must lead the way as they both have with the Commonwealth and the French Union the groups which are necessary to give to the world the efficient cooperation which modern conditions demand.

A look at the map of the world will convince that British and French territories are placed side by side: New Caledonia next to Australia, Indochina in the center of a new economic and political entity, South East Asia, and in Africa, British and French possessions are so interlocked that the natives sometime ignore under which flag they live. And it becomes more and more evident after the study of geography that an intimate association between Britain and France is an essential element of an everlasting peace. Their association to the Benelux countries, their agreement for the exploration of their resources in Africa, the agreement regarding social security of the workers of both countries employed in either country, their common stands on many international questions, give evidence that the Anglo-French Alliance of March 1947 is being implemented.

### Hongkong-Indochina Cooperation

It is clear that the cooperation of Britain and France in Europe should stretch to their overseas territories and it is our effort to strengthen and extend here the links between Indochina and Hongkong. Everywhere, Britain and France have something to give to the world and in spite of temporary setbacks nothing can stop the course of their common destiny, which is to carry on their mission at the vanguard of the western civilisation.

### True Friendship between the French and British people

And that we French appreciate the factual as well as the sentimental value of the friendship of the British is best illustrated by the recent overwhelming welcome extended to Their Royal Highnesses the Princess Elizabeth and the Duke of Edinburgh during their visit to France; everywhere they were greeted with rousing cheers. Ten years after the visit of their British Majesties, the presence, how short it may have been, of their Royal Highnesses, has brought to the people of France the material testimony of the bonds which exist now between our



## PROBLEMS OF HONGKONG MANUFACTURING INDUSTRIES

With over 1,700 factories and workshops operating in the Colony (of which more than 1,000 registered) and employing an estimated 85,000 workers (two-thirds of whom are men; about 65,000 workers in registered factories) Hongkong is next to Shanghai, the major industrial centre in the Far East. When using the term Far East and speaking of industry Japan must be excluded as that nation's technological and scientific advance equals that of the West; although geographically Japan is part of the Far East, industrially she belongs to the advanced nations of Europe and America.

The industries now operating in the Colony promise further good development but the limitations of manufacturing both for local consumption and for export must be borne in mind. Further expansion is possible if emphasis is laid on special products to be shipped to economically underdeveloped and backward communities.

To attempt here any successful competition with the manufacturing industries of Europe and America can only result in disappointment and losses. The mainstay of the industry of Hongkong—apart from shipbuilding and repairing which are ancillary to the harbour and remain of international importance, being one of the main assets of the Colony—is the cotton textile industry.

### Textile Export Markets

With the increasing number of spinning mills starting operation here the textile industry has attained second place in the Far East after Shanghai. But the output of local weaving and knitting mills, similar to the products of Shanghai and other Chinese factories is suitable only for the use of economically less advanced people particularly those living in South East Asia (Malaya, Siam, Netherlands Indies, Philippines, British Borneo, Burma), in the Pacific islands, West Indies, in Arabic countries, among the African natives.

Those who appreciate, and therefore pay for style and design, originality of fabric and high quality cannot be satisfied by local wares. But simple tastes and requirements can be adequately served by the local textile mills; whenever the utility of the article and, more so, the price decides the purchase Hongkong made piece goods and hosiery, household fabrics and articles of wear will continue to have ample opportunities in countries as aforementioned.

However, competition from similarly placed mills is bound to exert much pressure on local manufacturers who will remain in production only if their

products are continually improved in quality, reduced in price and guaranteed for shipment.

### Limitations of Industrial Production

The sub-tropical climate prevailing in the Colony which is particularly trying in the hot and humid summer months naturally precludes the building up of a more than moderate extent of a heavy industry but in competition with industries in China and South East Asia Hongkong should always prove an equal. After the war there has been much enthusiasm in evidence, here and elsewhere in the Far East, with regard to the speedy industrialisation of economically backward cities and countries. These hopes were foiled.

A more sober evaluation of facts revealed that while there has been relatively fast rehabilitation of prewar factories and much promotion of new plants in Hongkong the technological advance of the Western nations, spurred by inventions and research during the war years, has been so rapid that the gap between the progressive industrial West and the slowly modernising East has become much wider than it was before the start of world war II.

Indeed, the question arises whether the ambition of Far Eastern nations who have come to appreciate the science and industrial might of the West, (mainly for the fruits they bore in the time of supreme test of strength, that is in the years of war) namely to industrialise, will be realisable in the foreseeable future.

The many blueprints made in wartime China have proved now to be nothing better than dreams. Industrial progress in the East as elsewhere is a matter of a high standard of material civilisation; a good and clean government, efficient management of a nation's industrial resources, an orderly economy, trained educators and an intelligent and technological-minded large body of students, ability to work and possession of industrial raw materials, the earnest pursuit of scientific and industrial research, etc.

While the tropical countries in South East Asia cannot aspire to a more than elementary basis of light industry (mainly textile), the retrograde developments in postwar China have been a keen disappointment not only for her own planners but more so for the many foreign friends of that nation who believed to see a more and better producing and consuming China in the years following the end of hostilities.

### Market Research and Industrial Promotion

Hongkong's growth as an industrial centre after the war has been so far very encouraging and there cannot be any doubt that it will continue both absolutely and in relation to Shanghai. Besides textiles which will remain the leading export article there is a number of special products which, for one reason or another, have secured good overseas markets like rubber canvas

shoes, torchlights, lanterns and other hardware (needles, enamelware), paints and varnishes, vacuum flasks, firecrackers, preserved ginger etc.

In order to promote intelligently the present production of local industries and the establishment of new branches of manufacture intensive foreign market research is necessary. Those foreign countries which so far have been steady buyers for one or more local products will have to be further secured by guaranteeing them regular supply and meticulous conformance with their requirements, particularly concerning the standardisation of manufactured goods, improved design and a fair price.

Many new markets remain to be opened up for cheaply but solidly produced goods, especially such which can qualify as Empire products made exclusively of Empire raw materials.

No local factory can exist on the local market, it must produce for export and be prepared to meet, under equal conditions, the competition of all industrial countries. That can only be done if manufacturers remain on the alert, keep old markets under steady investigation and look out for more buyers in every corner of the globe.

Pari passu, there must be made a concerted effort by manufacturers, their various associations and the Government to educate the less progressive factory owners, advise and guide them so as to increase their efficiency, employ experienced technicians, modernise their plants, effect redeployment etc. It should be the special duty of the several manufacturers' associations to select competent and serious men to develop foreign market research for one or more groups of industry and to set up a section of technical and efficiency experts.

To gain more customers abroad Hongkong's manufacturers will have to take part in more international trade fairs and should also organise their own permanent or at least semi-annual industrial exhibition on a generous scale and in a form which would appeal to overseas, not necessarily Chinese, buyers.

### Conditions for Industrial Development

The pre-requisites for a successful and expanding manufacturing industry are amply present in Hongkong: the import of industrial raw materials is duty free (the Colony being a free port); an unofficial exchange market guarantees smooth buying and selling (during the current period of instability in international commercial relations); an efficient and trade promoting government by European civil servants, distinguished by benevolence and integrity, under the guidance of the most progressive administration in the modern world, is ready to co-operate in every respect with the mercantile community; the general sense of security and the complete confidence in the future progress of the Colony contribute to heightened economic activity; the operation of Imperial

two countries. And I would quote in the end our Foreign Minister M. George BIDAULT: "Visits like the one Your Royal Highnesses have given us the joy and the honour, contribute powerfully to the pacification of the hearts and the spirits. We have wept together and shivered together. It is together that we will open the new roads to Europe and Humanity."



Preferences assures for local products many of the Empire markets.

The Government here may also soon establish a department devoted to the promotion of industrial activity which ought to prove, *inter alia*, particularly valuable when making market researches, collecting commercial intelligence and placing it at the local manufacturers' disposal, obtaining the services of engineers and industrial efficiency experts for the purpose of westernising many of the local factories.

### Problem of Local Labour

Since the local workman is possessed of the same intelligence as his Shanghai confrere, it remains to develop his inherent skills up to the somewhat higher level of productivity in North China. The standing complaint by local factory owners remains that labour is largely unskilled or semiskilled and that its output is so low as to make production costs in many branches of industry prohibitive.

Certainly, local labour is not what it should be but there is no reason to despair. With more educational facilities

and prolonged apprenticeship the local workman will prove his value in every respect. There is hardly any industrial tradition among local labour and this cannot be gained within a few years. One of the most deleterious consequences of the recent war has been the complete interruption of production in many of the once flourishing factories, the dispersal and death of old factory hands and the suspension of industrial education. It will take many years to build up a nucleus of reliable, intelligent and efficient foremen and workers. Until then manufacturers will have to be patient particularly with the young, raw factory hands who had to start from scratch after the end of war.

There are only two industrial schools in the Colony and the number of pupils accommodated there is too small for the needs of the local industry.

A great asset of Hongkong's labour is its good temper and cheerfulness. Political strife is relegated to the background although the civil war in China could not but stimulate pro and anti Kuomintang sentiments.

Labour Unionism, under the guidance of an experienced and inspiring

British trade union leader, is an encouraging feature of industrial progress of the Colony. Many of the skilled workers in Hongkong's factories realise and appreciate that better earnings, a fuller share in the amenities of modern life, increased security (in employment, sickness, old age) depend on the advance of local industries' operation, their wider and assured markets abroad.

The higher the degree of labour's efficiency the firmer will be the position of both workers and management, and therefore local labour leaders are anxious to increase the workers' efficiency, skill and productivity.

Modern factory owners are cooperating with their workmen and, although there are always a few disputes and some occasional, illfeeling, industrial peace has so far been well maintained here.

Given a fair degree of prosperity of local industries and a continued average level of production, the development of labour unionism in Hongkong should bring about a progressively higher standard of industrial efficiency and thus reinforce the harmony between management and labour.

## HONGKONG INDUSTRIAL REPORT FOR JUNE

The number of industrial establishments registered for operation in Hongkong as at June 30, 1948 totalled 1,047 and another 217 factories have as yet to obtain registration certificates from Government. The total number of manufacturers' applications for registration certificates received until June 30 has been 1,264.

### Factory Registrations in Hongkong as at June 30, 1948:

	Hongkong Island	Kowloon	Total
Applications for Registration .....	347	1,093	1,440
Applications cancelled .....	38	138	176
	309	955	1,264
Applications made during June .....	6	17	23
Applications cancelled during June .....	1	9	10
Registration Certificates issued during June ..	13	23	36
Registration Certificates issued up to June 30: ..	272	775	1,047

### New Registrations and Applications for Registrations during January / June 1948

Month	Registration Certificates issued	Applications for Registration made
January .....	19	32
February .....	19	19
March .....	31	11
April .....	36	39
May .....	23	11
June .....	36	23
First half year 1948 .....	164	135

### New Applications during June:

The following 23 new factories have made applications for the issue of

In addition to the registered factories there are an estimated 500 workshops operating in the Colony; these unregistered workshops are either exempt from the legal requirement to apply for registration (in case of employing less than 20 workmen or possessing no mechanical equipment) or they have so far neglected to comply with law.

licences for the operation of an industrial establishment in the Colony:—

	Hongkong Island	Kowloon
Metalware .....	1	3
Cotton Weaving .....	—	4
Knitting .....	—	1
Garments, shirts .....	—	1
Fibre cases .....	1	—
Buttons .....	—	2
Printing .....	2	1
Ornament Stones .....	—	1
Engineering .....	1	1
Silk Weaving .....	—	1
Ore Refining .....	—	1
Laundry .....	—	1
Umbrella making ..	1	—
Total .....	6	17

### BUSINESS CONDITIONS:

In general there was little change against May (vide our issue of June 16,

p. 586). Enamelware factories and hurricane lamp manufacturers had exceptionally good sales; their overseas markets are taking up more goods and inquiry is increasing. Paint factories continue peak production. Many hardware manufacturers report favourable results, with needles clinching many Near Eastern and African markets.

There are satisfactory signs for better sales in the near future to customers in South and Central America, in Iraq, Iran and to the Near Eastern Arabian countries, to British East and West Africa, and to Pacific markets (especially Fiji). Most trial orders have met with interest and repeat shipments of locally manufactured goods have been put through.

Local shippers of Hongkong manufactured porcelain and chinaware, of metal goods, watch bands, vacuum (often erroneously called thermos) flasks, pencils, umbrellas, camphor wood chests and furniture, torches and torch bulbs have been doing good business. Firecrackers keep their usual markets abroad. Exports of shoes, matches and rubber articles (toys in particular) have been well maintained.

However, the rubber footwear industry complains of a slump which has caused the temporary suspension of operation of two large factories prominent in the production of rubber canvas shoes. This seasonal decline in rubber shoes business may not last for more than another 1½ months.

Preserved ginger has not been selling as well as earlier this year but new orders from London, the principal market in future as also in prewar years, are expected.

A new and very promising export of Hongkong is beer brewed in the local San Miguel Brewery (the Manila company of Mr. Soriano's concern which purchased the Hongkong Brewery Ltd. from Mr. Ruttonjee although a very large part of the property and machinery are in fact owned by a local bank).



## HONGKONG FINANCIAL REPORTS

## HONGKONG CLEARING HOUSE

Following are the Hongkong Clearing House figures for the first half year of 1948 compared with the same period of 1947:—

	1948	1947
January ..	\$ 690,869,863	442,070,008
February ..	624,267,531	460,807,509
March ....	780,180,420	464,164,534
April ....	753,367,765	541,751,540
May .....	677,060,291	642,913,034
June .....	667,992,698	500,954,782
	<b>\$ 4,193,738,568</b>	<b>3,052,661,407</b>

A decline of \$9 million against May was registered in June. The reduction in the volume of commercial transac-

tion year the cost of yarn should be greatly reduced and with more efficient production methods slowly coming into their own the cost of local textile products may swing into line with Shanghai and Japanese goods. When this happens local manufacturers may enjoy better business.

The danger however always lurks that Shanghai mills, owned and operated by the government in China and supplied largely with cotton from the U.S. (or other raw cotton for which the U.S. pays by way of a loan or an outright gift to China), may always underbid Hongkong and, in fact, all other textile producers. The more pressing grows in Nanking the need to gather foreign exchange the greater will be the danger of Chinese dumping. The Hongkong cotton manufacturing industry, almost entirely Chinese owned, faces a very powerful competition from the Chinese state owned textile industry.

By taking advantage of the operation of Imperial Preferences, provided that sufficient Indian cotton is regularly available which can be spun here into yarn and then used in the production of piece goods and fabrics of any description, the Hongkong cotton weaving mills and allied textile manufacturing factories can continue in prosperous business conditions.

Many smaller mills are experiencing a tight money position and as their sales are dropping credit facilities are practically unavailable. Only such mills which have already installed more modern equipment or have such machinery en route for eventual operation and have brushed up their operational efficiency can expect loans from local commercial banks.

The low level of current production in especially the weaving industry has caused some unemployment among women. This situation has tended to discourage the further immigration of unskilled labour from South China. It appears that the local labour market is more than adequately supplied and that any further deterioration in the textile industry of Hongkong may bring about the exodus of the superfluous mill hands. For unskilled and semiskilled labour there is now little if any room in the Colony except for those who remain in employment.

tions was primarily responsible for the smaller figure in June. There were also less sales reported at the stock and share market and land and house transfers amounted to smaller amounts than in the preceding months of 1948.

The seasonal decline in the Colony's foreign trade as emerging during the tropical summer months is shown in the receding Hongkong Clearing House figures. However, against the year 1947 the clearing totals are considerably higher. The record figure for 1947 was registered in May and even against that month the June 1948 clearings are higher by \$25 million (4%).

## Clearing Figure Comparisons

The prewar monthly clearing average was \$200 million compared with which the Clearing House figures for 1947 (monthly average) have advanced by 175%, and for 1948 (first half year monthly average) by 250%.

Compared with the Jan./June 1947 figures of Hongkong Clearing House the increase in 1948 (first half year) amounts to 37.4%; and compared with the July/December 1947 clearings the increase in 1948 amounts to 18.4%.

Hongkong Clearing House figures in 1947 and first half year 1948:—

1947	Total	Monthly average
Jan./June	\$3,052,661,407	\$ 508,776,900
July/Dec.	3,542,382,768	590,397,128
	<b>\$6,595,044,175</b>	<b>\$549,587,101</b>

The monthly average for the first half year 1948 amounts to \$698,956,428, and this year's increase over the first half year and second half year of 1947 amounts to respectively \$1,141,077,161 and \$651,355,800.

The increase in 1948 clearing figures against the prewar average, amounting to 250%, corresponds to the increase in the value of the Colony's imports and exports (265% and 255% respectively) and the advance in wholesale commodity prices (on the average 200 to 250%) in the postwar years.

## HONGKONG CURRENCY NOTE CIRCULATION

The prewar (1938) currency note circulation of the Colony was around \$235 million. As a consequence of the decline in the purchasing power of most currencies in the postwar world, the Hongkong dollar also bought less goods and the currency note issue had to be increased in the years following the end of the war in the Pacific.

At the end of 1946 the note issue of Hongkong amounted to \$480 million, an increase of 105% against the year 1948; and at the end of 1947 the note issue amounted to \$672 million, an increase of 185% against the year of 1938.

Taking into consideration the advance in commercial transactions, as shown in the Hongkong Clearing House figures, as well as the increase of the value (although not necessarily the volume) of the Colony's exports and imports in 1948, the currency note issue has not equally advanced. The large volume of commercial and finan-

While local beer always was, besides consumed in the Colony, shipped abroad the new management is pushing foreign sales and to judge by the superior brew they have put on the market during their few months' operation exports of Hongkong's San Miguel beer should be limited only by the local production capacity and the thirst of the community.

Exports of locally made embroidery and napery (from Irish and Swiss linen, Egyptian cotton, Chinese grass cloth) have also become a more conspicuous article. An increasing number of home workers (needlewomen) are employed here in a variety of embroidery work which has shown much promise for steady progress. Apart from sales to the U.S. there have been made shipments to sterling area countries and to the countries of the Levant and to Africa.

## TEXTILE INDUSTRY

The slump in the cotton piece goods trade has affected the local weaving mills whose production has considerably decreased. While this is also a consequence of the seasonal decline in consumption of fabrics, the fact that Japanese exports of cotton goods are now gaining a prominent share in Far Eastern and in other Asiatic markets is influencing the dealers and also the public to a considerable extent. The general feeling is that prices of all articles of wear, made of any fibre, are bound to come down in price and therefore dealers and stores are anxious to reduce their stocks and remain liquid.

To make things worse the flood of Shanghai made cotton piece goods, mainly sheetings, is depressing prices. As it is known that the Chinese Government, operating most cotton spinning mills and controlling the production of cotton goods, is energetically pushing the export of textiles local and overseas buyers are still more reticent about covering their requirements. The Chinese shortage of foreign exchange has caused some sort of dumping of Chinese textiles in foreign markets; not only are huge quantities of piece goods shipped out by the Chinese official corporations on consignment, but prices asked by the official Chinese seller, pressed as Nanking is to earn foreign exchange, are below even the Japanese quotations.

The frequent but erroneous arguments advanced with regard to the resumption of a Chinese-inspired boycott of Japanese textiles in the local and overseas markets are dispelled by the fact of the cotton goods export drive of the Chinese Government.

Under such conditions it is small wonder that the local weaving and knitting industry is suffering from bad business. By all standards, locally produced piece goods, socks and hosiery, vests and underwear etc. are competitive but the question of a reduction in price has as yet not been solved by the local industry and thus the Shanghai imports are taking away from Hongkong cotton goods manufacturers the majority of the local business.

With the expected full operation of the many newly established cotton spinning mills by the end of the cur-



cial transactions, in terms of postwar HK\$ which lost about 66% of its prewar purchasing power, conducted in 1948 should have justified a large currency note issue.

This appears particularly logical if one bears in mind that the hoarding and circulation of Hongkong notes in inflation and civil war ridden China have become popular; although Hongkong notes remain of secondary importance in Shanghai where the United States dollar is the principal foreign currency for every commercial and financial business and calculation, the Canton financial market has absorbed a large amount of Hongkong notes which are, moreover, also hoarded by farmers and small town people.

(Similarly the Macao pataca, issued by Banco Nacional Ultramarino, is hoarded in the vicinity of the Portuguese Colony and, to a small extent, in Canton. Of the total note issue of the B.N.U. of about 28½ million patacas, in actual circulation being however only 16 million, an estimated 1 million patacas are held by Chinese hoarders and traders outside the Portuguese Colony).

The amount of Hongkong notes held in China during the war years and during 1946 was larger than it appears to be the case today. Many millions of HK\$, especially the duress notes of \$500 denomination which the Japanese military issued at the beginning of their occupation of the Colony in 1942, and which found their way to China in great numbers, have been repatriated during the past 2½ years. Although inflation in China has assumed most menacing forms for the Chinese people and their desire is to keep their savings in such values which cannot be annihilated by the policy of expropriation of the Nanking Government, their resources are not as big as is often supposed, and consequently they cannot afford to hoard so huge amounts in foreign currencies, besides gold and foreign securities etc., as financially ignorant or otherwise malicious newspapers in China have guessed.

From the high figures of the Colony's trade, the Clearing House monthly returns, the reported turnovers from investment and speculative markets of Hongkong, it would appear that the currency note issue of the three note issuing banks is just adequate to serve the requirements of the business community here; all previous estimates made as to the supposed amount of HK\$ hoarded in South China must be drastically revised to a much lower level.

During the first half year of 1948 the note issue of the Hongkong & Shanghai Banking Corp. and the Chartered Bank of India, Australia & China has slightly increased compared to the figures as at Dec. 31, 1947 (viz. \$616 and \$53 million respectively) while the note issue of the Mercantile Bank of India has somewhat declined against the 1947 year end figure (\$3 million).

The note issue of Hongkong Government (\$1, 10, 5, 2, 1 cents) has always been negligible; as the three note issuing banks preferred not to circulate \$1 notes and subsidiary notes the Government was obliged to have these notes printed.

So far the Financial Secretary of Hongkong Govt. has not yet announced the total issue of these treasury notes but after the return of the Financial Secretary who is now on home leave the practice of regularly announcing the currency note issue will be resumed.

A large quantity of the subsidiary notes have been destroyed and otherwise disappeared especially during the years 1942-45; although the total issue of Hongkong Govt. notes is around \$13 million, not more than \$5 million may be in existence and therefore in actual circulation.

## BANKING STATISTICS

The compilation of banking statistics in the Colony has never been attempted. Prior to the enforcement of the Banking Ordinance, 1948, (for text see our issue of January 28, p. 79) only the European and American banks as well as a few Hongkong registered and Chinese commercial banks supplied the Financial Secretary of Hongkong Govt. with the relative figures but in accordance with the provisions of the new Ordinance, whose avowed purpose is the control of banks and native banks, all licensed banks have to submit every month their returns.

It will take still a long time until the statistics of local banks and native banks can be officially compiled and then, as is the practice in other countries, made available to the public as well as to such organisations as the United Nations, the World Bank etc.

The regular compilation of the statistics of all banks, or at least the members and associate member banks of the Hongkong Exchange Banks Association, is required in order to analyse the progress or otherwise of the community and to interpret current developments. As it is, the big and small investors, traders and builders etc. are in the dark about the actual financial conditions prevailing in the Colony.

The following data will have to be compiled and exact figures made known from time to time:—(1) Deposits: current accounts, fixed accounts, savings accounts, other deposits. (2) Advances & Loans: discounted bills, advances against real estate, advances against securities, advances on guarantee, advances otherwise secured, unsecured advances, overdrafts.

It is estimated here that the total amount of deposits in the local European and Chinese commercial banks as well as in the major native banks is around HK\$1,500 million. Against the estimated prewar figure the current estimate is approx. 150 to 160% higher. The aggregate amount of banks' loans and advances is considerably less than the estimated total of deposits.

Considering the increase in cost of living, in earnings, in the value of trade compared with the prewar period, it appears that the total estimated amount of deposits in local banks is relatively low. While many Chinese immigrants have come to the Colony from their chaotic and unsafe country they seem to have brought with them, in the aggregate, much smaller funds than is often imagined. The wealth of Chinese refugees is persistently overrated; in fact, except for the wealth of

the several dozen families who are in control of almost everything in China of today, the rest of the possessions of the Chinese capitalists is not much to brag about.

## Licensed Banks in Hongkong

Government has licensed a total of 131 commercial banks and Chinese native banks and gold dealers, viz. 13 European and American commercial banks, 5 Chinese Government banks, 3 Chinese Provincial Govt. banks, 32 Hongkong and Chinese commercial banks and trust companies; and 78 native banks, gold & silver dealers.

## FINANCIAL TRANSACTIONS IN HONGKONG

### Stock & Share Market:

For the first six months of 1948 share transactions (including H.K. Govt. loans) totalled a value of \$99 million, or a monthly average of 16½ million. Compared to prewar average turnover, the 1948 average is about 150% higher.

Month by month the turnover at the Stock Exchange amounted to (in millions of HK\$):—

January	13.3	April	12.5
February	29.8	May	14.5
March	17.9	June	11.0

### Gold Market:

For the first half year of 1948 total sales of spot gold inside and outside the Gold & Silver Exchange Society amounted to 1,083,000 taels, or a monthly average of 180,500 taels, involving an amount of \$58 to 60 million per month.

The very large transactions in the forward gold market are mostly entered into for the purpose of position clearing; profit or loss margins are settled which is the only cash being tendered. The sales stipulated for actual delivery are often nothing but margin clearings and do not involve actual capital transfers.

### US\$ Market:

In the unofficial US\$ (notes, drafts, TT) market during the first six months of 1948 a total of about US\$44 million were transacted, the monthly average for this year being US\$7-1/3 million, or approx. HK\$40 million, per month.

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## Hongkong Trade Figures

Monthly averages for the first five months of 1947 and 1948:—

	1947	1948
Imports ..	\$ 161,436,000	\$ 105,725,000
Exports ..	118,396,000	91,784,000

Compared with the total trade for January to May 1947, the current trade figures have improved by 42%.

Against the five months prewar average (years 1931-1937) the monthly average of 1948 for imports has advanced by 265%, and for exports by 255%.



## EXCHANGE & FINANCIAL MARKETS

### CHINESE MONEY MARKETS & PROGRESSIVE DETERIORATION IN CHINA

The process of economic deterioration was accelerated in China last week. The authorities in Nanking and Shanghai are perturbed and it appears that control of the situation has been lost. Military setbacks of the Nationalist forces are coupled with the effects of a runaway inflation.

Public confidence in the possible stabilisation of the legal tender does no longer exist. The position of the National Govt. at Nanking is more desperate than is commonly realised.

As the wheels of the banknote presses turned, the price spiral moved ahead and there continued the natural aggravating consequences of the vicious monetary inflation: complete abandoning of Chinese printing press money by purchasing whatever is available on the markets; selling CN\$ forward whenever a buyer puts in an appearance.

The expected issue of CN\$ 1 million notes, when it materialises, will have no deteriorating effect as is fearfully anticipated in Shanghai; a million of Chinese dollars equals today just US\$0.18, and will in a short while be only 10 US cents and then less and less. Business in China no longer avails itself of the note issue as the circulation of private and bank cheques, Central Bank Treasury Notes (up to one billion CN\$ equalling at present only US\$180), so-called Chinese banks' traveller cheques and private papers have largely superseded the "fapi."

At the opening of last week's exchange market in Shanghai the investigations and interrogations of a large number of merchants and financiers by members of the economic police, gendarmes and other organs of the state were in full swing. Much was made of the inspection of commodities allegedly hoarded in godowns and the official propaganda tried in vain to influence the public into believing that the situation was "well in hand". But after a spell of 2 or 3 days the inflationary spiral went its natural way as the following quotations of Shanghai bear out:

	July 5	July 10	Increase during one week
(in millions of CN\$)			
Gold per oz.	190	290	53%
US\$	3.85	5.5	43%
HK\$	0.66	0.92	40%

Commodity prices changed almost every hour. Rice per picul skyrocketed to CN\$ 37 million. On the basis of the rice price the US\$ rate should be about CN\$ 9 million.

In Canton the price of HK notes was considerably below the Shanghai level; the week opened at CN\$500,000 and closed at 530,000. During recent weeks the two principal financial markets of

China, Shanghai and Canton, have moved more and more apart; the difference between the Chinese dollar in South China and the same dollar in Shanghai has become so large that one almost can describe them as two different currencies.

The gold cross rate in Shanghai moved between US\$ 49½ to 53.

Hongkong notes were relatively neglected and the price of US\$ 1 in HK notes ranged last week between HK\$ 5.60 to 6 (against an average rate in Hongkong of HK\$ 5.38).

The high price of US\$ in Shanghai proves that in any crisis of China the public rushes into US\$, selecting the American currency as one of the principal objects for their flight from the CN\$. The HK\$ enjoys, contrary to misleading statements made by ignorant newspapers in Shanghai, much less attention than US\$ and gold.

### Hongkong Market

In the native banks and Chinese Gold Exchange Society market the following turnover was registered last week:—TT Shanghai CN\$ 32,800 billion; TT Canton 16,800 billion; spot notes 2,880 billion; forward notes 1,308 billion.

The astronomical figures do, however, not amount to much in terms of HK\$.

The highest and lowest rates for spot and forward notes were last week, per hundred million Chinese dollars:—HK\$257½—185; and 180—135 respectively. TT Shanghai opened here at HK\$ 155 and closed at 107½ (per CN\$ 100 million); TT Canton opened HK\$ 180 and closed 170.

The confused state of China's financial conditions was evidenced in the increasing gap here between TT Shanghai and spot notes quotations which differed at the beginning of the week about 40% but towards the close the difference, in favour of notes, was over 50%. This fact shows that TT Shanghai was abundantly on offer with reluctant buyers while notes of Central Bank of China found the highest prices paid in foreign exchange anywhere inside and outside of China.

The startling difference in the TT Shanghai and Canton rates was at the beginning of last week about 30% but towards the close the gap widened to 36%. The discount which Shanghai remittances suffered in Canton last week moved from 33 to 35% in the earlier part of last week to 42% at the close.

To appreciate the recent developments in the domestic remittance market of China one must imagine what would happen if one pound sterling remitted from London to Glasgow would be accepted in Scotland at only 12 shillings; or if a remittance of US\$ 1 from New York to San Francisco would value, upon receipt on the West Coast, only 60 cents.

### Exchange Surrender Certificates

The premium paid to exporters for the Certificates has advanced but does not keep step with the progress of CN\$ depreciation. Thus any potential remitters of funds to China, particularly overseas Chinese in the U.S., will not use the official channels as the black market, now as before, guarantees them, or the remitees at least 40 to 50% more in CN\$ proceeds.

At the opening of last week the Certificate premium was around CN\$ 2 million but at the close it had improved by only 15% while the black market rate, during 6 days, went up 43%. Consequently, while exporters obtained in the earlier part of last week for the Certificates plus the "open market exchange rate" about 60% of the black market quotation, at the end of the week exporters only got 45 to 50% of the black market rate.

The "open market rate" of CN\$ 474,000 is now only 8.6% of the black market rate (CN\$ 5½ million) and 20.6% of the Certificate premium (CN\$ 2.3 million).

### Flight of Capital

The accumulation of Chinese printing press money and bank credits, of capital of any description and of poor and rich refugees in Shanghai has gained added momentum from the spreading civil war in the North and, since several weeks, also in Central China. As everybody is afraid to hold Chinese money any longer than is absolutely necessary there is a rush for commodities, stocks and shares, foreign currencies etc.

The successes of the Communist armies have contributed much to the unceasing influx of Chinese capital from the North into Shanghai and thence into South China. The territory under Nanking's control is steadily shrinking, much of the countryside is being given up by the Nationalist forces and the population in such areas, coming then under the control of the Communist authorities, frantically tries to rid itself of the legal tender which no longer is the legal tender where the new masters rule.

The exchange rate between the CN\$ and the various regional banks' new legal tender, issued after the Communist conquered or Kuomintang abandoned areas pass under the new administration of the so-called People's Liberation governments in North China, is steadily changing in favour of the Communist circulated money; the CN\$ is effectively expelled from all those areas which have been lost by the Nanking authorities.

The latest issue of a Communist controlled currency has just occurred in the "Central Plain Liberated Area" This is a most significant development



as the establishment of a new note issuing bank has now taken place for the first time SOUTH of the Yellow River. The new bank is the Chungchow Peasants' Bank and it has issued currency notes which are the sole legal tender in the whole Central Plain Liberated Area. The Bank has many branch offices in its own Area and in other Communist administered provinces or parts of provinces. The CNS has almost ceased to circulate in the Central Plain Area and the exchange rate between it and the new legal tender is at present CNS\$ 10,000 per \$1 of the Chungchow Peasants' Bank.

Much of the legal tender of the Nanking Government which previously circulated in the Central Plain Area has found its way to Shanghai where it contributes to the further deterioration in the economic conditions of that city.

\* \* \*

#### US\$ TRANSACTIONS

The picking up of gold imports into Macao resulted last week in an unusually large turnover in the unofficial American dollar market. Several gold buying interests financed however their imports in other free exchange markets.

International Sterling/Dollar crossrates differed very little, being around 3. The highest and lowest crossrates quoted in Hongkong last week were US\$2.94—2.97.

Sales in the local market last week aggregated: (in US\$) TT New York 1,878,000 (biggest sales recorded on the 8th with 680,000), Drafts 458,000, Notes 262,600; making a total of US\$2,598,000.

Highest and lowest rates for business done (in HK\$ per US\$100):—Notes 542—535, Drafts 541—535, TT 544—539.

Export bills from local and outport shippers were amply offered and there were also some holders of funds in New York who desired to buy sterling, apparently having given up hope in a strong unofficial crossrate. The conviction among investors gains ground that at least for the next few months sterling will remain very firm and that it might be prudent to repatriate some or all of their investments kept in cold storage in America.

There was last week also a stronger than usual offering of drafts from recipients of remittances from the dollar area; some holders seem to have lost confidence in the return of better rates and preferred to convert their foreign cheques into Hongkong dollars.

#### GOLD TRANSACTIONS

The activity in the local forward market which is, to all intents and purposes, a matter of margin clearings has been unusually large last week, viz: 1,291,680 taels, that is, 649,310 for position clearing and 642,370 said to be stipulated for delivery.

On the other hand spot sales were rather small, totalling 52,430 taels, that

is, 14,170 sold inside the Exchange Society and 38,360 transacted in the curb market.

Highest and lowest prices per tael \$323¾—313½. Crossrates on the whole moving lower last week between US\$48—49¼.

At this rate importers claim that, considering the fees exacted by the Macao import licence peddlers, there is hardly any profit in the business. Bullion exporters in Europe and New York claim that no sizeable quantity is available at under US\$44. Only one source in London can supply at a price lower than 44.

Exports from Macao, direct and via Hongkong, and from the Colony to China were on the upgrade but no optimism can be entertained as to further large purchases by Shanghai and Canton. A saturation point has been reached and there will, for the summer months, continue only the moderate amount of shipments to China.

The progress of inflation makes the purchase of gold in China a matter of the wealthy only; a 10 oz bar was selling last week in Shanghai at almost CN\$3 billion equalling US\$520 to 540.

Exports to Canton were possible only directly from Macao as Canton quotations were usually lower than the Hongkong market but as prices in Macao are always a few dollars lower than Hongkong (i.e. the difference charged for the illicit transport from Macao into Hongkong) direct exports into Kwangtung can be effected at small profit. Incidentally, the protection fees and illicit transport charges for exports from Macao to Canton are below those for Macao-Hongkong bullion shipments.

Unloadings in Macao were heavy last week, market estimates ranged between 100,000 to 150,000 ozs. Exports to Canton and Shanghai were estimated at 20,000 taels per each destination, both from here and Macao. Most of the arrivals of last week were for the account of Hang Seng Bank and, to a smaller degree, of the native banks of Wing Lung, Wing Hang and Tai Kung.

Local bullion importers have obtained earlier in the year Soviet gold. The gold, with clear Russian stamps on the bars, has come here from Amsterdam where brokers bought it in the open market. Only relatively small quantities of Soviet gold are exported from the USSR although the country produced during the last few years about one million ozs. per month—at least this is the estimate current in informed European bullion circles. The eventual designs as to the disposal of the large hoards of Moscow's gold is a matter of great anxiety for gold producers, the US Treasury and all investors who have sunk their savings in gold for lack of better ideas or opportunities.

#### SILVER TRANSACTIONS

Increased imports from Shanghai and Taiwan, and to a smaller extent from Macao, Canton, Swatow, failed to bring local quotations down. The most important single reason for the strength of the local rate is the fact that, strange as it might appear, local silver dealers do a flourishing re-export business with China; a steady flow of silver dollar coins is directed from here to Canton and other South China markets where much higher prices (about 10%) can be obtained than by shipping to the US. While local prices for silver dollars quoted last week about \$2.59, Canton buyers were willing to pay around \$2.90, an increase of almost 20 cents from the previous week.

Local re-exports of silver dollar coins to South China value at least \$10,000 per week. Most business in the local market was done at \$4.02 to 4.04 per tael and 1.98 to 2.02 per 20 cents coin.

Total sales amounted to 90,400 taels, \$10,000 worth of dollar coins and \$116,000 worth of small coins.

#### Silver exports and imports in May

Imports, from British Malaya, 12,000 ozs. in ingots valued \$45,400 (i.e. about \$3.80 per oz.);—from Macao 5,717 ozs. valued \$11,401 (about \$2 per oz.)

Exports, all to the US, 586,513 ozs at \$1,944,208, in ingots, and 133,786 ozs at \$488,277 making a total of \$2,432,484 (export values per oz were \$3.30 and 3.65 resp.).

During the current month some shipments were made to London and to Bombay. Besides four native silver dealers (vide our issue of July 7, p. 7) interested in exports to China, the Mount Trading Co. and C. S. Ling & Co. are the main shippers to foreign markets.

#### BANKNOTE MARKETS

In all counters sales exceeded purchases and consequently prices declined. Except for piastre the turnover was insignificant.

Transactions in the piastre market were also much reduced viz: spot inside the Exchange 2,990,000 spot outside market 2,320,000, forward inside the Exchange 2,120,000 piastres.

While, in general, there is increasing confidence in the recovery of Indochina's trade, exports are slow in coming which is the principal reason for the present low rate of \$11½ per 100 piastres (\$9½ for Ideo notes).

#### HONGKONG NOTES IN MACAO

The unofficial rate for H.K. notes declined last week which was due to more demand for patacas by gold importers. The discount amounted to 18/19%. Business in US\$ notes was small and rates dropped to 4.38 patacas per US\$ 1, which was 20% lower than the unofficial rate in Hongkong.



July	Gold per Tael		CN\$ (per ten million)				S'hai Canton		Notes	US\$ (per 100)		Gullder	Baht	Pound	
	High	Low	Spot	Forward		T.T.	T.T.								
				High	Low										
5	317½	315¼	22¼	20½	17½	16¼	15½	18	538	538	541	11.4	45½	25.8	14.3
6	316¾	313¾	21¾	20¼	16	16	12½	17¾	537	537	540	11.4	45.3	25.8	14.3
7	319½	315¾	23½	22¼	16¼	15¼	13	18½	537	536	540	11.4	45.3	25.8	14.2
8	323¾	318¾	25¾	23½	18	16½	14	19	541	540	543	11½	45.3	25.9	14.1
9	323½	319½	25	21¾	16¾	16	12½	18¾	540	538	541	11½	45	25.9	14.1
10	322	318½	22¾	18½	14½	13½	10¾	17	539	538	540	11½	44.8	25.8	14.1



## HONGKONG STOCK & SHARE MARKET

Less hesitancy was noticed during the week July 5 to July 9, but sentiment fluctuated with the news. On balance prices were more or less on last week's level, with a few notable

thing, or as if the existence of any one was responsible for the other two. There has been a flight of capital from China to Hong Kong and elsewhere and these idle funds which have come to Hong Kong can and have exercised an inflationary pressure on our local economy.

Flight of capital does not mean merely a flight from one country to another. There can be a flight of capital within the country itself as holders of bank deposits move their capital into goods without a cent of actual currency ever leaving the country.

Hong Kong cannot take any effective measures to prevent the movement of flight capital out of China. The sovereign right deciding whether capital shall or shall not leave China for America via Hong Kong lies in the hands of the holders of the capital in China. Only China can control this traffic at its source. The capital that has already arrived in the Colony cannot be expelled.

### Helplessness of Chinese Govt. to re-establish economic order

The adjective "flight" has been applied indiscriminately to genuine capital movements and "funk" money seeking a safe haven. Flight capital may influence speculative movements but it is not correct to deduce from the movement of capital into Hong Kong that such capital is employed in speculation, or that if there was no flight capital in Hong Kong there would be no speculation. Since this flight capital has not been responsible for any big speculation in the local money market, in commodity prices or on the local stock exchange, it is not responsible for the sharp fall in the C.N. dollar rate.

There is a tendency in China to regard the C.N. dollar inflation as some special genus different from any which has hitherto existed and that some act taken in a foreign state can, somehow or other, succeed in stopping the inflationary movements which have got underway in China. But the Chinese inflation has no special characteristic, except perhaps its size, to distinguish it from any other inflated currency and the answers to that inflation can be no different in China than they are in other parts of the world. The Quantity Theory of Money still holds good in China and it is useless to assume an ostrich like attitude and pretend that something less than the Draconian measures which have been adopted elsewhere can solve China's financial difficulties. No measures taken outside China and by her friends to hold back the falling value of the C.N. dollar can be effective so long as more and more C.N. dollars continue to fall from the printing presses.

exceptions. However, caution was still in evidence and appeared to check a general upward movement.

Total sales reported showed a marked improvement, and amounted to 109,476 shares of an approximate value of \$3¼ millions, an increase of about \$1 million compared with the previous week.

Outstanding performers during the week were:—WATSONS which surged to new all-time highs, 62½ for the old and 58½ for the new shares on good volume; ROPES which improved to 19½ and MACAO ELECTRICS which rose \$3 to 23½. The action of these stocks showed the ability and readiness of the market to respond to rumours of improved working results.

Observers are of the opinion that dividend payers at present levels fully discount all adverse news of a domestic nature. They feel the general trend should show an upward course in the near future, provided prevailing political uncertainties do not deteriorate further.

### PRICE INDEX.

The Felix Ellis price Index of twelve representative active local stocks showed a net loss of .17 compared with the close of the previous week. Day-by-day his averages were: July 5, 144.85; July 6, 144.72, July 7, 144.78, July 8, 145.09, July 9, 144.93.

The High and Low for 1947 were 155.82 and 123.88 respectively. The High for 1948 was 148.68 on February 12, while the low was 143.56 on April 16.

### BUSINESS DONE.

BANKS: H.K. BANK @ 2070, 2055, 2050, 2070; BANK OF EAST ASIA @ 141.

INSURANCES: UNIONS @ 760, 765, 760.

SHIPPING: U. WATERBOATS @ 37.

DOCKS & GODOWNS: WHARFS Old @ 155; N. P. WEARFS @ 9; H.K. DOCKS @ 31¼, 31, 31½; C. PROVIDENTS @ 23, 22½; SHAI DOCKS @ 19, 18.

HOTELS & LANDS: H.K. HOTELS @ 17.60, 17¼, 17.80, 17.90, 18, 18¼, 18, 17.85.

UTILITIES: H.K. TRAMS @ 23¼, 23, 23¼; PEAK TRAMS Old @ 21½, 21¼; CHINA LIGHTS Old @ 24¼, 24, 23¼; New @ 20, 19¼, 20, 19½; H.K. ELECTRICS @ 45, 44¼, 44½; MACAO ELECTRICS @ 21½, 23; TELEPHONES @ 42¼, 42, 42¼, 42.

INDUSTRIALS: CEMENTS @ 48, 47½, 47¼, 47, 47¼, 47, 47½, 47¼, 47¼; ROPES @ 18½, 19½, 19¾, 19.65; DAIRY FARMS Old @ 53¼, 53, and New @ 51½; WATSONS Old @ 59, 59¼, 59¾, 60, 60½, 62, 62½, 62¼, 62, and New @ 55¼, 55½, 55¾, 56, 56½, 57¼, 58½, 58¼.

STORES: SINCERES @ 7; SUN CO. @ 4.80.

COTTONS: EWOS @ 17½, 17, 16¼, 16½.

## Hongkong Chinese Chamber of Commerce

Last week a meeting was called to elect a Standing Committee of 20, from whose number a Chairman and two Vice-Chairmen were chosen who are to hold office for two years. Chairman and Vice-Chairman of the Chamber elected were Messrs. Ko Cheuk-hung and Wong Sik-ki, respectively.

Mr. Ho Shin-hang of the Gold and Silver Exchange was elected Hon. Treasurer, and Mr. Li Man-ki of the South China Paper Merchants Association, Assistant Treasurer.

Other members of the Standing Committee are Messrs. U Tat-chee, Au Ping-kwong, Li Tsun-lung, Chan Yau-yiu, Tsoi Tung-sang, Chan Kam-po, Kwok Chun-sing, Kwok Hin-man, Kwan Sui-tat, Chan Chung-chi, Chan Ching-to, and five representatives of member-organisations of the Chamber (the Chinese Gold and Silver Exchange the Ko Yik Association, the Hongkong and South China Paper Merchants' Association, the new and old Metal Merchants' Association, and the Fruit and Vegetables Merchants' Association).

The Standing Supervisors of the Supervising Committee comprise the following: Messrs Tung Chung-wai (Chairman), Wong Mau-lam, Kwok Chan, P. Gockchin and Lam Chi-fung.

### Proposed Establishment of a second Chinese Chamber of Commerce

The election of Chairman and officials brought to a close the most bitter contest for office in the history of the Chamber.

The admission of 3,000 new members early in the year gave rise to strong opposition from members of the Progressive Party of the Chamber who characterised it as a vote-getting manoeuvre on the part of Mr. Ko Cheuk-hung.

When their protest proved unavailing, they made a countermove by introducing 3,000 new applicants for membership, but the Standing Committee refused to consider the admission of new applicants until after the general election.

Persistent attempts to get these applicants admitted before the election failed, and the issue was taken to Court, which ruled in favour of the Chamber.

The Progressive Party members have started out to form a new Chamber of their own, with a reported backing of some 6,000 members, among them being most of the applicants whose admission was refused before the general election.

Largest turnover was recorded in the following shares:—

Docks 1980; Providents 4,250; Hotels 13,900; Trams 6,834; Electrics 4,100; Lights old 11,200, new 2,025; Telephones 2,875; Cements 22,750; Ropes 2,500; Watsons, old 7,200, new 1,150; Ewo Cottons 3,300; North Point Wharves 3,600.



## HONGKONG AVIATION REPORT FOR JUNE AND FOR THE FIRST HALF YEAR OF 1948.

Air Traffic Returns for the first 6 months of 1948:—

Month	Civil Air Craft	Passengers	Passengers	Mail	Mail	Freight	Freight
	Numbers	Numbers	Numbers	kilograms.	kilograms.	kilograms.	kilograms.
	IN	IN	OUT	IN	OUT	IN	OUT
January	384	6,275	5,491	8,029	8,975	24,443	138,081
February	396	5,754	5,970	9,266	9,982	31,448	132,576
March	514	7,627	7,479	12,748	11,465	62,039	164,948
April	577	9,602	9,053	14,643	14,713	45,512	78,417
May	669	11,125	14,862	14,255	14,862	37,016	68,444
June	640	10,351	8,927	14,749	14,753	22,906	90,030
Total first half year	3,180	50,734	51,782	73,690	74,750	223,364	672,496

For the first six months of 1948 the airport of Hongkong handled a total of 102,516 passengers; 148,440 kilograms of mail; and 896 metric tons of freight.

### DEPARTURES FOR JUNE, 1948

Total number of aircraft:—637.

COUNTRIES	PASSENGERS	MAIL	FREIGHT
United Kingdom via Bangkok & Ports	80	2,957	1,113
Europe via Bangkok & Ports	18	6	160
Middle East via Bangkok & Ports	16	—	759
Calcutta via Bangkok & China	8	—	156
Rangoon via Bangkok & China	4	—	288
Singapore	152	165	1,108
Bangkok	261	1	11,614
Saigon (direct)	141	165	308
Macau (direct)	337	—	—
Philippines (direct)	1,250	394	11,285
Japan via Shanghai & Ports	117	619	975
U.S.A. via Manila & Ports	219	1,112	556
Honolulu via Manila & Ports	72	98	417
Australia	32	250	323
Shanghai (direct)	1,139	1,906	15,510
China & China Ports	2,007	4,316	40,927
Canton (direct)	3,074	2,764	15,510
Total	8,927	14,753	90,030

### ARRIVALS FOR JUNE, 1948

Total number of aircraft:—640.

COUNTRIES	PASSENGERS	MAIL	FREIGHT
United Kingdom via Bangkok & Ports	51	3,092	5,139
Europe via Bangkok & Ports	7	—	1,077
Middle East via Bangkok & Ports	7	—	142
Calcutta via Bangkok & China	55	1,013	1,577
Rangoon via Bangkok & China	63	74	263
Singapore	130	2,304	489
Bangkok	418	842	1,337
Saigon	122	302	412
Macau	444	—	—
Philippines	731	162	3,123
Japan via Shanghai & Ports	29	430	299
U.S.A. via Manila & Ports	24	—	4,982
Honolulu via Manila & Ports	10	—	49
Australia	2	—	137
Shanghai	1,829	1,764	2,768
Canton	3,439	2,786	508
China & China Ports	2,990	1,980	599
Total	10,351	14,749	22,906

There was a decline in June traffic figures against the record month of May. Expansion of air transport cannot be expected for the near future and present figures will probably be maintained for the following months.

Development of air transport business during the more than 2½ years after the end of war has been spectacular. Month by month the air traffic returns showed higher figures.

The decline in trade volume has also affected air cargo business but after the seasonal slump will be over, around mid-autumn, heavier airlifting of merchandise can be anticipated.

Passenger figures have been most gratifying and aviation companies have been doing record business. Further increase in number of passengers flying in and out depends on the resumption of Far Eastern tourist traffic. The business community has taken full advantage of the air transport facilities and government officials have formed a considerable percentage of air travellers, however, the ceiling, for the time being, appears to have been reached at 1948 average figures.

#### Monthly Averages

The following figures of monthly averages for 1947 and for the first half year of 1948 show the enormous advance of the air transport business during the current year:—

	Monthly Average for 1947	Monthly Average for Jan./June 1948
Arrivals of civil air craft	231.8	530
Passengers, in & out	6,815.4	17,086
Freight, in & out, tons	70.4	149.3

In the record month of 1947, December, the air transport returns were as follow:—air craft arrivals 373; passengers in and out 11,183; freight, in and out, in tons 175.



## HONGKONG-CANTON TRADING Procedures for Exports from China

To ship merchandise from Shanghai abroad has proved in the majority of cases almost profitless for private merchants since the full value of the export bills has to be surrendered to the Chinese Govt. appointed banks who buy from exporters their accruing foreign credits at the fixed "open market rate" plus the daily fluctuating premium for Export Surrender Certificates. The Chinese Maritime Customs value export cargo according to the quotations prevailing in New York and other international markets where the commodities from China are stated to be shipped to. As the combined "open market" rate plus Certificate premium has, since the introduction of this system as from May 31, yielded to exporters only 50 to 65% of the real or black market rate smuggling and other unrecorded exporting has been encouraged.

The well-established practice of undervaluing export cargo has become ever more difficult with the Chinese Customs in Shanghai checking up on quotations in foreign market, especially New York and London. Another practice adopted by merchants, and often allowed to pass by the Customs, to state a much lower weight than actually shipped thus saving on the amount of foreign exchange to be surrendered at the official rate, has been accompanied by much less success during the current year probably as a consequence of new, strict and uncompromising government orders having been issued to the Chinese Customs.

A number of postwar commercial establishments, with intimate connections with official and military authorities, were enabled to carry on export business by contributing to various "black" or private funds thus obtaining protection. Proper smuggling is carried on as before in a large volume but the risks involved are considerable and seizures or extortionate demands by a corrupt officialdom often cause heavy losses to smuggling enterprises. Respectable and old-established firms cannot engage in either smuggling or protected unrecorded exports from China and therefore many of their prewar customers abroad had to turn to the new suppliers who can deliver the goods. In addition, the operation of the so-called favoured trading corporations of China has further reduced the export business of the mercantile houses of old standing.

### Re-shipment of cargo to Canton and Hongkong

A frequent device followed by most merchants who found that exporting from Shanghai was impossible, i.e. if a profit was to be made, had been the shipment of China produce from the place of origin or collection or the Shanghai warehouses to Canton.

The operation of the trade and exchange regulations in Canton has been much more reasonable than elsewhere in China; without the official connivance in Canton at the exporters' underdeclarations and other evasive

procedures many exports could not have left the country at all and smuggling would have greatly increased. Chinese traders have generally praised the realistic attitude of the Canton authorities although they were not satisfied with the small favours received from Canton and demanded more concessions.

Practically all cargo coming to Canton from Shanghai or Shanghai traders was shipped to Hongkong for eventual re-export to foreign markets (with the exception of foodstuffs and other essential commodities required by the population of the Colony) and, to a smaller extent, to Macao from where again almost all merchandise was shipped to Hongkong.

The surrender of export bills to Chinese Govt. appointed banks in Canton was, however, not so severely conducted as in Shanghai. The principal inducement for traders to ship their goods to Hongkong was to sell them from Hongkong to the U.S. or any other country which paid in US\$ or other hard currencies; While shippers in Canton surrendered at the official exchange rate their HK\$ export bills they were able to sell their goods in Hongkong, if re-exported to America, against US\$ at the unofficial rate which, on the average, was 30 to 40% higher than the official rate. Thus, solely on the difference between the official and unofficial HK\$ rate in terms of US\$ exporters of China produce could make very attractive profits.

Many Shanghai exporters had shipped their goods to the Colony, without availing themselves of the special advantages offered by the Canton authorities, as the profits to be realised from re-exports from Hongkong to the U.S. on account of the difference between the official and unofficial HK\$ quotation were more than adequate.

The especial opportunity which offered in Canton was created by way of officially permitted undervaluation in terms of weight:—while Shanghai Customs compute the total value of export cargo in foreign exchange per quintal (100 kilograms or 1.6534 piculs), the Canton Customs allow the value to be calculated per picul (60.479 kilograms); in Shanghai the exporter has to surrender the full value of his export cargo while in Canton the exporter ships out 100 kilograms of produce which is valued only at 60.479 kilograms, i.e. the exporter only surrenders 60.4% of his export bills to the Government.

Another method widely resorted to in Canton was the handing over to Government of an amount in foreign exchange equalling 15 to 20% of the exporter's proceeds in foreign exchange. The exporter retains 80 to 85% for free disposal. It comes to the same end effect whether an exporter surrenders (sells at the official rate) 60.4% of his export bills retaining about 29.6% of his foreign exchange proceeds for free disposal, or pays to Govt. 15 to 20% of his proceeds in foreign exchange.

The latter procedure has been generally found more convenient and time-saving by the export merchants in Canton but the authorities were anxious not to have this practice become too common as some unfavourable reaction from the Central (Nanking) authorities could have followed.

### Future trend of business between Canton and Hongkong

As long as general conditions in North and Central China continue to deteriorate much business which ordinarily would pass through Shanghai will be diverted to Kwangtung. Indeed, the Kuomintang supreme effort to stem the Communist avalanche, restoring strength for the eventual offensive and husband the resources of the nation, is centering on South United States assistance to China and military aid to the National Govt., now on the defence since over a year, is operating already in and through Kwangtung. In due course the interests of the U.S. in a pacified and relatively prosperous South China are bound to increase.

Under such political, military and economic conditions the expansion of trade between Canton and Hongkong is of utmost importance to the Chinese authorities and, of course, to the people at large. It can therefore be assumed that the comparatively helpful and understanding attitude of the Canton authorities vis-a-vis the commercial, financial and industrial community of South China, indeed of all China as far as it elects to do business through Canton, will not undergo any change for the worse.

The severe financial restrictions and many import embargoes now almost strifing the life of the Chinese nation may suit the book of Nanking but they certainly do not, find full approval in Canton.

The operation of a virtually free exchange market in Hongkong will continue to benefit the commercial interests of the Chinese as exports of China produce to the U.S. and other hard currency countries will be encouraged. At the same time increasing amounts in foreign exchange will be available for the financing of imports into China. Trade with the sterling area will, however, not experience much improvement except on the merits of trade only.

The benefits enjoyed by Chinese exporters in the Hongkong exchange market are such that they are quite agreeable at times to take a loss on their exports from Shanghai to Hongkong (in terms of CN\$ when surrendering HK\$ at the official rate plus Certificate premium) since the eventual re-exports from Hongkong to the U.S. are bound to net them a good profit in the end.

A realistic import trade policy in Canton should also further reduce the extent of smuggling.



## HONGKONG EXPORTS OF CONTROLLED CHINA PRODUCE

As from the beginning of this year the Imports & Exports Dept. of Hongkong Government has taken over the control of exports of eight Chinese commodities, viz. wolfram ore, antimony and tin; tung oil and rapeseed oil; tea; bristles; and cotton yarn. Only upon satisfaction of the I. & E. Dept. that the commodities in question, if originating in China, have been exported from China in conformity with Chinese exchange regulations (which means that Chinese exporters have had to surrender their export bills to the Central Bank of China) is the re-export from Hongkong permitted.

This very odd form of control in Hongkong has been instituted upon the urgent request by the Chinese Government who had to admit that their trade and exchange control measures could not be adequately enforced and that only through the assistance of foreign authorities the Chinese Govt. might be able to compel the traders to abide by the Chinese regulations.

As a consequence of the strict control enforced by Hongkong over the re-export of the specified eight commodities which form the most important export articles of China, the Nanking Treasury has been enabled to earn much more foreign exchange than was previously the case. However, the artificially low official exchange rates in China have stifled export business and were it not for the connivance by especially the Chinese authorities in South China little China produce would have left China during the first six months of this year for abroad.

Apart from the state corporations and certain firms which are commonly referred to as "privileged corporations" whose agreements as to the surrender of all or part or nothing of their export bills remain closely guarded secrets, the private trader in Canton has either been allowed to underdeclare the weight of his commodities, to pay a certain sum in foreign exchange for permission to export, or to surrender only a part of his proceeds; other merchants have purchased genuine or forged certificates of origin (i.e. the required paper, the form of Central Bank of China) which guarantee not only their safe conduct on Chinese territory but also satisfy the local authority as to the issue of a re-export permit.

### Export Licences in June

During the month of June a total of 459 export licences for the eight "China Export" commodities were issued by I. & E. Dept., viz. 276 for cargo arrived here with a Chinese certificate of origin, and 183 for cargo ex registered stock (which was in the Colony prior to January 7, 1948).

The quantities of commodities licensed for re-export in June were (in piculs):— Wolfram ore 1,901; Antimony O; Tin 2,996; Tung oil 30,795;

Rapeseed oil 4,455; Bristles 786; Tea 5,283; Cotton yarn 7,545.

### Arrivals from Korea and Macao

Much cargo has not been of Chinese origin such as wolfram ore from Korea. Considerable quantities of so-called China exports arrived here from Macao; these goods do not require to be covered by a Chinese certificate of origin but the Macao Govt. (Dept. of Economic Services) issues for the same number of commodities as are controlled here under the term of "China exports" their own certificates according to their agreement with the Nanking Govt. In the Macao certificate it is stated that the Chinese exporter has satisfied the Portuguese authority that he had surrendered to the Chinese Govt. his export proceeds.

Similar to Hongkong, a registration of stocks of the specified eight commodities was conducted earlier this year by the Macao Govt. and all duly registered commodities can be exported from Macao without further formality. The extent of the registered stocks of wolfram ore, antimony, tin, tung oil, rapeseed oil, bristles, tea and cotton yarn has never been announced but they are generally believed very large. It is quite possible that some merchants in Macao succeeded to register with the Macao Govt. far larger stocks than they actually held at the time of registration.

Following are the Hongkong licensed re-exports of the eight "China export" commodities for the period January to June 1948:— (in piculs of 60.47899 kilogrammes; one metric ton equals 16.534668 piculs).

### Export Licences for first half year

	Wolfram Ore	Antimony	Tin
January/Feb. ..	13,885	1,892	2,093
March .....	9,171	5,383	6,688
April .....	420	8,099	3,925
May .....	10,530	2,975	2,892
June .....	1,901	—	2,996
Total .....	35,907	18,349	78,594

	Tung Oil	Rapeseed Oil
January/Feb. ..	89,623	82,832
March .....	40,190	12,275
April .....	63,476	5,031
May .....	39,961	10,371
June .....	30,795	4,455
total .....	264,045	114,964

	Tea	Cotton Yarn	Bristles
January/Feb. ..	9,274	16,894	1,972
March .....	3,451	3,105	2,182
April .....	5,165	8,019	1,295
May .....	4,195	5,886	597
June .....	5,283	7,545	786
Tota .....	27,368	41,449	6,832

### Comparison with 1947

During the same period of 1947, i.e. Jan./June, Hongkong's exports of Chinese tin amounted to 22,703 piculs, or 4,109 piculs more than were export-licensed during Jan./June 1948.

Wolfram ore exports for the first half year of 1947 amounted to 15,509 against 35,907 piculs this year, an increase of 18,349 piculs largely due to the heavy arrivals of Korean wolfram ore.

Antimony showed a complete decline; last year's 66,476 piculs against this year's 18,349, a drop of 48,127 piculs.

Tung oil exports in Jan./June 1947 aggregated 324,780 piculs (157,086 in drums, 167,694 in bulk) while export licences for the first half year of 1948 totalled 264,045, a drop of 60,735 piculs.

### ADEQUATE AUSTRALIAN MEAT SUPPLIES FOR HONGKONG

#### Favourable Meat Position of the Community

Hong Kong's imported meat supplies come from Australia, where the U.K. Ministry of Food, which buys practically the whole Australian export surplus, gives Hong Kong access to its bulk supplies to meet essential requirements. Every pound of meat shipped from Australia to Hong Kong is one pound less available for shipment to the United Kingdom, and the question of shortage here is therefore one which must be considered in relation to a U.K. meat ration of about one pound per week.

A second factor is, that, until recently at least, there has never been enough refrigerated shipping space on the regular run between Australia and Hong Kong, and it has therefore been necessary in the past to make special arrangements for the chartering of a large refrigerated vessel to bring bulk supplies to Hong Kong. Such vessels are very scarce and the diversion of one to Hong Kong from the U.K. run means the loss of 7—8,000 tons of meat to the U.K. The position has however improved recently and it is hoped that regular ships will now be able to provide all the refrigerated space required.

It is obvious therefore that Hong Kong must use a reasonable degree of restraint in its calls upon Australian meat supplies, particularly as rationing is not possible here, and do so only to supplement local supplies should that be necessary.

Local supplies have been highly irregular, slaughterings of cattle reaching a peak of over 1,100 per week in November, 1947 and dropping as low as 300 in February, 1948; recently they have recovered to between 800 and 900.

Policy has therefore been to watch this position carefully and release enough imported meat to make up a reasonable total supply to the market. Present issues of beef to the market are three times more than they were at the end of 1947, and stocks on hand are available to keep this up to the end of the year without further receipts. This rate of issue represents roughly ten times the normal prewar



# HONGKONG'S IMPORTS & EXPORTS OF SELECTED COMMODITIES

— FOR THE MONTH OF MAY, 1948 —

## WOLFRAM ORE

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom ..	—	—	252	97,020
Korea .....	165	54,175	—	—
Macao .....	637	196,550	—	—
U.S.A. ....	—	—	336	132,000
Total .....	802	250,725	588	229,020

## ANTIMONY

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
India .....	—	—	1,488	253,969
U.S.A. ....	—	—	7,934	1,299,390
Total .....	—	—	9,422	1,553,359

## TIN SLABS (OTHER THAN CHINA)

### TIN SLABS (CHINA)

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom ..	—	—	84	45,230
Canada .....	—	—	169	96,438
China, South .....	1,043	350,939	—	—
Germany .....	—	—	827	388,009
Macao .....	26	14,560	—	—
Philippines .....	—	—	49	24,196
Switzerland .....	—	—	63	25,500
Switzerland .....	—	—	168	89,040
U.S.A. ....	—	—	2,364	1,281,475
Total .....	1,069	365,499	3,661	1,924,388

## TINPLATES

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom ..	4,078	268,867	—	—
China, North .....	—	—	405	34,333
" Middle .....	—	—	535	37,266
" South .....	—	—	479	39,200
U.S.A. ....	5,958	263,160	—	—
Total .....	10,036	532,027	1,419	110,799

## VEGETABLE OILS

### CASSIA OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
China, South .....	21	18,900	—	—
France .....	—	—	4	4,850
Holland .....	—	—	3	3,300
Switzerland .....	—	—	9	10,080
U.S.A. ....	—	—	80	81,150
Total .....	21	18,900	96	99,380

## WOOD OIL (IN DRUMS)

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom ..	—	—	2,352	349,572
Australia .....	—	—	1,712	259,943
India .....	—	—	294	42,510
Malaya (British) ..	—	—	105	15,750
New Zealand .....	—	—	336	52,584
North Borneo .....	—	—	19	2,598
South Africa .....	—	—	286	43,370
Belgium .....	—	—	168	18,180
China, South .....	22,816	2,906,208	—	—
Germany .....	—	—	168	25,000
Holland .....	—	—	25	3,750
Italy .....	—	—	168	25,200
Macao .....	2,058	292,968	—	—
Norway .....	—	—	838	125,002
Siam .....	—	—	5	825
Sweden .....	—	—	331	49,212
U.S.A. ....	—	—	727	110,521
Total .....	24,874	3,199,171	7,534	1,124,017

## WOOD OIL (IN BULK)

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom ..	—	—	6,199	932,940
U.S.A. ....	—	—	26,424	3,709,916
Total .....	—	—	32,623	4,642,856

## COCOANUT OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
Malaya (British) ..	11,265	1,634,836	—	—
North Borneo .....	98	14,160	—	—
China, North .....	—	—	816	123,619
" Middle .....	6	930	4,124	601,538
" South .....	—	—	641	82,276
Korea .....	—	—	19	2,740
Macao .....	—	—	43	6,220
South America .....	—	—	744	86,326
U.S.A. ....	—	—	168	17,920
Total .....	11,369	1,649,926	6,555	920,639

## LINSEED OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
Canada .....	1,279	199,720	—	—
India .....	84	12,770	—	—
Malaya (British) ..	80	9,600	—	—
Siam .....	141	17,100	14	2,320
Total .....	1,584	239,190	14	2,320

level of imports. Supplies of the relatively less important mutton and lamb are short, partly because as much shipping has not been available as anticipated, and partly because this is the end of the present season in Australia. Supplies will be adequately replenished by October.

Local meat is much more popular than imported meat and commands a

premium of as much as \$1 per catty. As a consequence meat dealers will not accept supplies of imported meat when local supplies are plentiful. It appears however that the dealers expect the Government to keep unlimited supplies on hand at its own risk and to make these available to the dealers without limit when it suits them. If local supplies show any tendency to drop signi-

ficantly in volume, issues of imported meat will be increased, but it is obviously Hong Kong's obligation only to call on Australian supplies to meet minimum, not maximum requirements. For one thing, the goodwill of the Australian and U.K. supply authorities might otherwise be lost and Hong Kong might lose its imported supplies entirely.



## ANISEED OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom ..	—	—	32	15,800
Australia ..	—	—	2	1,150
New Zealand ..	—	—	9	4,960
China, South ..	80	40,000	—	—
France ..	—	—	64	32,603
Holland ..	—	—	50	27,060
Philippines ..	—	—	15	2,675
Switzerland ..	—	—	63	35,500
U.S.A. ....	—	—	31	16,853
Total .....	80	40,000	266	136,601

## SESAMUM OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
Canada ..	—	—	6	730
Malaya (British) ..	—	—	26	7,031
Central America ..	—	—	1	72
Macao ..	—	—	2	200
Neth. East Indies ..	—	—	1	120
Philippines ..	—	—	32	5,731
Siam ..	56	6,720	—	—
U.S.A. ....	—	—	19	5,049
Port. East Africa ..	—	—	1	72
Total .....	56	6,720	88	19,005

## SOYA BEAN OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
Macao ..	—	—	9	900
Siam ..	54	5,400	—	—
Total .....	54	5,400	9	900

## TEA SEED OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
China, South ..	1,838	250,677	—	—
Switzerland ..	—	—	34	6,511
U.S.A. ....	—	—	5,012	741,945
Total .....	1,838	250,677	5,046	748,456

## PEANUT OIL

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
India ..	370	52,000	—	—
Belgium ..	—	—	4,284	736,520
Macao ..	889	142,330	—	—
Siam ..	408	64,611	—	—
Total .....	1,667	258,941	4,284	736,520

## OTHER OILS FROM SEEDS, NUTS &amp; KERNELS

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom ..	—	—	719	142,200
Malaya (British) ..	91	10,950	—	—
China, Middle ..	—	—	3	528
" South ..	613	39,049	—	—
Macao ..	1,834	255,729	33	3,800
Total .....	2,538	305,728	755	146,528

## BRISTLES

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
United Kingdom ..	—	—	177	384,848
Burma ..	—	—	89	67,958
China, South ..	23	22,600	—	—
France ..	—	—	50	65,100
Holland ..	—	—	50	40,000
U.S.A. ....	—	—	746	870,726
Total .....	23	22,600	1,112	1,428,632

## RUBBER (RAW)

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
Malaya (British) ..	20,042	1,963,487	29	3,556
North Borneo ..	756	65,732	—	—
China, North ..	—	—	3,573	281,238
" Middle ..	—	—	6,139	598,421
" South ..	—	—	7,208	612,213
Korea ..	—	—	3,474	340,718
Macao ..	54	3,763	12	800
Neth. East Indies ..	7,459	688,000	—	—
Siam ..	112	10,125	—	—
Total .....	28,423	2,731,107	20,435	1,836,946



## ECONOMIC DEVELOPMENTS IN INDOCHINA

### Review of Trade, Industry, Finances, Communications for the year 1947

#### General Conditions In 1947

The War officially ended in September 1945 but up to now Indo-China has not yet known peace. It was on the 9th of March 1945 that the Japanese forcibly took over and completely disorganised the country by removing the French administration. Then, after the Japanese surrender, Indo-China was divided into two zones, one occupied by the Chinese, the other occupied by the British and Americans. This did not facilitate the return to normal conditions.

During 1946 the return of French authority was slow and difficult due to the Vietminh movement. Nevertheless negotiations had been engaged satisfactorily and the "modus vivendi" signed in September at Fontainebleau gave hope that the country would be able to rebuild its economy in a peaceful atmosphere. The sudden change of policy by the Vietminh, its attempt to slaughter the French population in Tonkin on the night of the 19th of December 1946, and the sanguinary struggle which followed, have brought almost chaos in the larger part of Indo-China.

In the North, the first months of 1947 have been entirely dedicated to fighting. Bit by bit the territory was however taken back from the rebels. Toward the end of the year security and normalcy had been brought back to a great part of Tonkin.

In the South terrorist bands have tried to destroy the crops, the means of communications and the economic life of the country. The Army had to oppose these attempts. The economic life of Viet Nam (Cochinchina, Annam & Tonkin) has thus been subordinated to military and political events and the reconstruction of the country, principally as regards agriculture, has therefore greatly suffered.

#### Progress in Laos and Cambodia

In Laos and Cambodia things have been different. These countries have welcomed the return of the French administration and have requested to be included in the French Commonwealth. New constitutions have been elaborated and the independence of these two nations has already been granted.

Beginning of 1947 those parts of Laos and Cambodia which were occupied by Siam in 1941 have been recovered. One of these provinces, Battambang, used to produce 25,000 tons of rice, but due to careless treatment of the rice fields during the Siamese occupation this year's crop will be much smaller.

Although agricultural activities are not hampered in Laos and Cambodia, the economy of these two nations is severely affected by present conditions in neighbouring Viet Nam. The different parts of Indo-China are economically interdependent. Furthermore Laos

and Cambodia are dependent on Viet Nam for their external communications with the world. The fighting in Viet Nam has greatly hampered the arrival of goods badly needed for reconstruction and the export of local products.

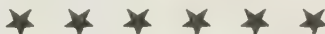
#### Administrative Changes in the new State

Under the new political set-up in Indo-China each state has an independent interior administration. A Committee of Economic Affairs entrusted with the coordination of the economic activities of the various States has met twice in Dalat in May and November. Problems concerning the various aspects of the economy of Indo-China have then been solved satisfactorily.

As regard matters of common interest: foreign trade, reconstruction schemes, public works, currency and foreign exchange, technical institutes, etc., the work is centralised and dealt with by the Federal Government. The

Federal Dept. of Economics (Trade & Industry) deals in particular with all matters concerning Foreign Trade. In conjunction with the corresponding departments of the Indochinese States and France it established an annual plan, divided into two periods of six months, for imports and exports. A Central Trade & Supply Committee and a Permanent Committee of Internal & External Trade, on which are represented the local and Federal departments, prepare the policies that are to govern the trade between the States, the country's total foreign trade and the distribution of the supplies.

A Reconstruction Adviser has been nominated in 1947 to direct a reconstruction scheme which is to be integrated in the general reconstruction scheme of the French Commonwealth. All departments dealing with production (agriculture, mines & industry, forestry) have been placed under him. All questions dealing with currency and exchange are taken care of by a Financial Adviser. All other economic activities concerning more than one state are managed by Federal Advisers or Directors.



#### The Foreign Trade of Indochina in 1947

After an almost complete standstill in 1945, and a slow but steady improvement in 1946, the foreign trade has improved greatly in 1947 principally as

regards imports. This, in spite of the political events. Following is a table of Indochina's trade:—(in millions of piastres):—

Year	Import		Export		Balance of trade
	Quantities 1000 Tons	Value millions	Quantities 1000 Tons	Value millions	
1938 .....	490.0	194.7	3,995.0	290.1	+ 95.4
1945 .....	15.8	17.4	59.9	18.0	+ 0.6
1946 .....	155.9	310.0	300.8	690.4	+ 380.4
1947 .....	221.0	972.9	216.0	472.6	- 500.3

#### Imports

The 1947 figure of 221,000 tons represents an increase of 40% on 1946 but is only 45% of the 1938 figure.

This increase is distributed over almost all articles. The most important increases are on machinery, cotton piece goods and foodstuffs: 17,750 tons of machinery and wrought metals against 8,974 tons in 1946 and 4,942 tons in 1938; 8,294 tons of cotton piece goods against 1,970 tons in 1946 and 7,691 in 1938;

9,767 tons of sugar against 4,283 tons in 1946 and 1,440 tons in 1938; 9,391 tons of wine and spirits against 1,830 tons in 1946 and 915 tons in 1938;

49,296 tons of kerosene and derivatives against 40,672 in 1946;

8,361 tons of wheat flour against 5,895 tons in 1946; 4,701 tons of paper and paper goods against 3,021 tons in 1946.

The imports of metals have decreased: 9,673 tons against 13,386 in 1946; raw cotton 631 tons against 4,032 tons in 1946; chemical products 11,622 tons against 18,107 tons in 1946.

The import increase if considered in value is even greater, being 210% higher than in 1946. This is due to the world wide rise in prices and to a considerable increase in the importation of goods of small volume but of high cost. The difference with 1938 is even greater: in spite of a decrease of 50% in the weight there is an increase of 385% in the value. This is also due to the rise in prices and to the devaluation of the piastre.

#### Exports

Exports in 1947 decreased by 84,000 tons as compared with 1946. In value the decrease was 200 million piastres. This diminution is due to the exportation in 1946 of rubber stocks ac-



Countries	1938		1946		1947		1938		1946		1947	
	I.C.\$	%	I.C.\$	%	I.C.\$	%	I.C.\$	%	I.C.\$	%	I.C.\$	%
France	401,560	52.9	115,826	37.4	550,891	57.0	134,610	47.3	352,397	51.0	214,824	45.5
French Empire	7,850	4.1	7,520	2.4	29,144	3.0	16,250	5.7	22,266	3.2	26,989	5.7
U. S. A.	10,320	5.4	67,817	21.9	186,407	19.3	24,880	8.7	201,845	29.2	37,532	7.9
India	5,540	2.9	38,900	12.5	18,959	2.0	520	0.2	707	0.1	2,783	0.6
Hongkong	14,340	7.5	30,861	9.9	24,957	2.6	28,100	9.9	45,019	6.5	92,173	19.5
Singapore	6,360	3.3	1,830	0.6	1,370	0.1	27,670	9.7	31,555	4.6	55,764	11.8
China	10,360	5.4	8,525	2.8	48,503	5.0	7,600	2.7	24,382	3.6	9,363	2.0
Japan	5,560	2.9	—	—	—	—	8,700	3.1	—	—	—	—
Netherl. Indies	8,390	4.4	10,450	3.4	13,695	1.4	2,720	1.0	2,540	0.4	10,773	2.3
Other Countries	21,400	11.2	28,192	9.1	99,038	10.6	33,420	11.7	9,655	1.4	22,418	4.7
Total	191,680	100	309,921	100	972,964	100	284,470	100	690,366	100	472,619	100



There has been a strong reduction of imports from India: 18,959,000 piastres against 38,900,999 piastres in 1946; from Hongkong: 24,957,000 piastres against 30,861,000 in 1946.

On the other hand imports from China have passed from 8,325,000 piastres in 1946 to 48,502,000 piastres in 1947. Imports from the Netherlands Indies have also increased from 10,450,000 piastres to 13,695,000 piastres.

Exports to the Far East, with the exception of China, have all considerably increased: exports to Hongkong have almost doubled and have reached 92,000,000 piastres; to Singapore from 31,555,000 to 55,764,000 piastres; to the Netherlands Indies from 2,540,000 to 10,773,000 piastres. In weight the exports toward Singapore and the Netherlands Indies were 43,000 tons against 140,000 tons in 1938 and 8,689 tons against 40,600 tons in 1938.

The decrease in exports to the Far East as compared with 1938 is due to the fact that before the war Indochina used to export to China principally, coal and rice, the actual production of which is but slightly above the local consumption needs.

### Balance of Trade

The trade balance of Indochina has usually been favourable and in 1946 the balance in favour of exports was 380 million piastres.

Stocks accumulated before the war have now been exhausted, the present political situation is hampering production while the imports of goods needed for reconstruction has been increasing. In the year 1947 therefore there has been a deficit balance of 500,-345,000 piastres.

## Financial Conditions

### Banks & Credits

Since the war there has been no important change in the Banking system of Indochina. Private business is taken care of by private Banks to which have been added in 1947 the branches of the National Bank for Trade & Industry, the Bank of China and the Bank of Communications.

By decree of January 24 1947, the Treasury has been authorised to open deposit accounts for the public.

Loans to farmers are particularly given by Chinese money lenders and "chettys"; nevertheless the Indochina Branch of the Credit Populaire has resumed its activities, slowed down by the 1945-1946 events, and has extended them to small industries, co-operatives and transports.

Bank deposits have considerably increased since 1939 to more than twenty times the pre-war figures. This denotes an important increase of cash in the hands of the public. Business having been bad and reconstruction having been hampered by the political situation, it is not surprising that banking loans have not increased in proportion; the increase is from 25 to 142 thousand millions, the coefficient being about 6, much below the coefficient of the increase of prices.

Indochina is one of the French territories that has suffered the most through the war. Damages and losses have been estimated at over one thousand million piastres (1939 value).

The first Reconstruction Budget has been fixed for 1947 at 800 million piastres but the difficulties encountered in the realization of the works brought the figure down to 335 million. In fact, it is estimated that the value of works executed during 1947 did not rise above 270 million.

France will contribute largely to the financing of the reconstruction expenses of Indochina. The necessary metropolitan legislation has already been passed. There will be two distinct budgets for 1948:

1) The Extraordinary Budget for the Reconstruction and Equipment of Indochina, created by decree of April 30, 1947 and which is to replace the original Special Budget for the execution of the five years plan of reconstruction.

2) The Special Budget, created by decree of Oct. 16, 1946, more particularly dedicated to new investments which will improve and increase the Indochinese patrimony. This budget is related to the law of April 30, 1947 creating an Investment Fund for the Economic and Social Development of Overseas Territories and is to be utilised on a decennial (10 years) plan.

### Monetary System

The Indochina piastre has been tied to the French franc since Jan. 9, 1930: the nominal value was fixed at 10 francs to 1 piastre. This was brought to 17 francs to 1 piastre in December 1945 while the official exchange rate with the American dollar, which was around 4 to 1 in 1938, was upped to 7.01 piastres to US\$1. This rate was used through 1947 although the purchasing power of the piastre had in fact decreased much more.

In an agreement, made between the French Government and the Banque de l'Indochine on July 10, 1947, the Banque de l'Indochine surrendered its rights to issue currency notes. A new currency system will be organised and a new Issuing Organisation will be created. The issue of currency will be closely regulated and will not be subject to political interferences. This new scheme has been approved by the Economic Committee which met at Dalat in November 1947.

## Shipping in 1947

The most important port remained Saigon since the rehabilitation of the north of Indochina is lagging far behind.

Year	ARRIVALS		DEPARTURES		TOTALS	
	Number	Tonnage	Number	Tonnage	Number	Tonnage
1938 .....	947	4,008	882	3,612	1,829	7,620
1945 .....	115	400	102	354	217	754
1946 .....	475	1,587	475	1,617	950	3,204
1947 .....	403	1,155	404	1,166	807	2,321

Following are the shipping returns of Saigon for the year 1947 and the preceding 2 years as well as the pre-war year of 1938:—(in thousands of tons):—

## Air Transport in 1947

Air transport has greatly increased since the end of war. Last year witnessed strong expansion. The largest airfield of Indochina is at Saigon (Tan-Son-Nhut) where four-motored planes are landing from all Far Eastern centres and are taking off for destinations as far as France, North Africa and European capitals.

Domestic air traffic has much increased during last year. Leading aerodromes besides Saigon are at

Hanoi, Phnom-Penh, Soctrang, Nhatrang, Dalat, Tourane, Cap St. Jacques, Travinh, Loc Ninh, Lond Thanh, etc.

Arrivals of air craft during the 1947 at the air ports of Hanoi totalled 332, at Phnom-Penh 265, at Nhatrang 155, at Soctrang 123, etc.

In international air traffic Indochina is regularly connected with China and Hongkong and Europe.

Following are the civil air transport figures for 1947 of the leading airport of Indochina, Saigon:—

	No. of craft	Passengers	Baggage (tons)	Freight (tons)	Mail (tons)
Arrivals .....	1,888	22,909	279.3	360.6	112.7
Departures .....	1,851	21,029	351.7	630.8	128.8
Total .....	3,749	43,938	631	991.4	241.5

### Public Finances

In addition to the National Budgets of the Indochinese States there is a General Budget for matters of common interest. The General Budget is financed by receipts from the Customs, Postal and Wireless Departments, Railways and Government monopolies. In return the General Budget takes care of the expenses of these departments and of the Armed Forces, Legal Departments, Public Works and anything else which concern the whole of Indochina.

The General Budget for 1947 was much higher than for 1946 and about 72% higher than for 1938. This budget which was originally fixed at 681,-212,210 piastres was upped to 730,607,-210 by decree of Sept. 10, 1947.



The National Budget of Cambodia was fixed for 1947 at 88,830,800 piastres, an increase of 50 million piastres on the 1946 budget.

The annual amortisation of the Indochinese public debt has been fixed in the General Budget at 14 million

piastres. The balance still payable was 152 million piastres at the end of 1947.

These figures which represent 2% (annual amortisation) and 20% (total charge) of the General Budget indicate a healthy situation as regard the public debt.

#### Banking Statistics (in million of piastres)

	Dec. 31, 1939	Dec. 31, 1946	Dec. 31, 1947
Public deposits in banks.....	42	774	956
Loans and advances by banks to the public .....	29	68	148
Deposits in the savings banks .....	3.5	15.8	22.4

#### OFFICIAL EXCHANGE RATES OF THE INDOCHINA DOLLAR (IC\$) OR PIASTRE

	TRANSFERS		NOTES	
	Buying	Selling	Buying	Selling
Franc metropolitain per 1C \$ = Frs.	17	17,085	TT	16,75 17.15
Franc CFA — 1C \$ = Frs CFA ..	10	10,09	TT	9,90 10.20
Franc CFP — 1C \$ = Frs CFP ....	3,90	3,95	TT	3,85 4
1 dollar U.S. ....	12,70	12,55	TT	12,80 12.40
1 dollar Canada .....	12,70	12,50	TT	12,80 12.30
1 pound sterling .....	51,10	50,55	TT	51,50 50
1 Australian £ .....	40,95	40,25	TT	—
1 New Zealand £ .....	41,10	40,40	TT	—
1 South Africa £ .....	51,15	50,25	TT	—
1 Egyptian £ .....	52,50	51,75	TT	53 51
100 dollars Hong Kong .....	318,20	310,50	TT	320 303
100 dollars Singapore .....	600,70	590,50	TT	604 566
100 rupees India .....	385	378	TT	400 368
100 francs Belgium .....	29	28,60	TT	—
100 francs Switzerland .....	294,30	291	TT	—
100 florins Holland .....	479	472	TT	—
100 crowns Sweden .....	354	348	TT	—
100 crowns Norway .....	256	252	TT	—
100 crowns Denmark .....	265	261	TT	—
100 crowns Czechosl. ....	25,40	25	TT	—
100 dinars Yugoslavia .....	25,40	25	TT	—
100 lires Italy .....	3,63	3,58	TT	—
100 escudos Portugal .....	51,20	49,90	TT	—
100 pesos Philippines .....	650	635	TT	650 610
100 baht Siam .....	129,60	124,50	TT	—

\* \* \*

#### Industrial Production

The industrial production of Indochina in 1947 was far from what it had been before the war. This is mainly due to the political events. Nevertheless a remarkable improvement has been noted as against last year principally in the soap, sugar, alcohol and tobacco industries.

##### Coal

The production for 1947 was more or less the same as for 1946: 250,000 tons against 261,000 tons in 1946 and 2,335,000 tons in 1938. The slight diminution is due to the fact that during the first few months of the year production was almost completely stopped as a result of the last December incidents. From August onward production has well increased and the 1948 figure is expected to be around 420,000 tons. (In December 1947 coal production amounted to 32,400 tons.)

##### Cement

The production of cement during the first part of last year has also been very small but thanks to a considerable increase towards the end of the year the total production for 1947 was

40,000 tons as against 32,500 tons for 1946 and 266,000 tons for 1938. Estimated production for 1948: 100,000 tons.

##### Soap

The supply of raw materials (caustic soda, oils, etc.) having improved, the production has considerably increased: 4,270 tons as against 1,267 tons in 1946.

This post war industry is growing steadily. Washing soap accounts for more than 72% of the total production but due to the depreciation of the piastre, exports of toilet soap to other Far Eastern markets seem possible and a considerable increase in this line is therefore expected.

##### Tobacco

The production of cigarettes has increased from 770 tons in 1946 to 2,380 tons in 1947. Imported foreign tobacco is blended with Indochinese tobacco and the mixtures sold under new brands are similar in taste to American and English cigarettes. These cigarettes are well liked by the public and their price is much below those of imported foreign cigarettes. A further increase in production is expected for 1948.

#### Alcohol

The production of alcohol for 1947 was 42,911 hl. (hectolitres), an increase of 15,000 hl. on 1946. The prewar production was much higher, 220,000 hl. in 1938.

#### Sugar

The production of sugar has more than doubled during the past year: 13,400 tons in 1947 as against 5,000 tons in 1946 and approx. 28,00 tons in 1938. The present production should suffice for the local consumption.

#### Other Industries

Amongst other industries worth mentioning the production of oxygen and acetylen has increased from respectively 70,560 cubic meters and 29,450 cubic meters in 1946 to 164,830 c.m. and 93,000 c.m. in 1947.

The gum industry has been particularly important in 1947 and has enabled the export of 1,148 tons of cellophane, valued at 4,282,000 piastres, as against 516 tons in 1946 and only 256 tons in 1938.

As regards the tanning industry, the Japanese occupation, epidemic and the present unsettled situation, have greatly reduced the herds. The production of skins cannot meet the local consumption and therefore no exports are yet possible.

\* \* \*

#### Agricultural Production

It was agriculture that suffered most from the troubles in Indochina since 1945. The production of rice which left yearly an exportable surplus of nearly 1,500,000 tons, barely sufficed in 1947 to feed the population. The production of corn fell to an extremely low level. Rubber plantations were abandoned for a long time and work on these plantations is renewing under difficult conditions. A great effort has been made since 1946 and throughout 1947 in order to permit Indochina's agriculture to renew its prewar activity and production, but difficulties are met still mainly because of the activity of rebels, of precarious communications and lack of specialist labour and equipment.

##### Rice

In Cambodia, the rice crop during 1946-1947, with the production of Battambang Province, surpassed the production of the previous year. Areas under cultivation totalled 891,000 hectares (of which 95,000 hectares were under cultivation in Battambang Province) against 862,000 during 1945-1946. Production of paddy increased to 6,740,000 hundredweights (600,000 in Battambang) as compared with 5,740,000 during the previous year.

In Cochinchina, the crop campaign of 1946-47 shows in comparison with the previous years a net decrease of areas under cultivation with 1,330,000 hectares as compared with 1,715,000 hectares. The crop was estimated at 15,800,000 hundredweights as compared with 19,800,000 in 1945-46.



In Laos great efforts have been made to increase production, which during 1947-48, will surpass the production of the previous years.

In Tonkin, the crop of the fifth month was low as a result of unfavourable atmospheric conditions, particularly in the area of Hongay. The crop of the tenth month was generally good with the exception of certain low-lying regions, seriously affected by floods, where rice growers could proceed with their work only at a late stage.

#### Corn (maize)

During 1947 the campaign undertaken by agricultural services with a view of encouraging the renewal of corn production in Cambodia bore results. This progress however was handicapped by a number of unfavourable economic conditions: the low profits, lack of labour, high cost of transport, rivalry of other more profitable crops (mainly tobacco). However, on the whole, a definite progress was noted during 1946-1947, as compared with 1945-1946. Despite serious losses caused by the rise of the Mekong River, which amounted from 25 to 30% and in the Kratie province even to 50% of areas under cultivation, the production of red corn reached approximately 18,000 tons in 1947, as compared with 5,500 tons in 1946.

#### Rubber

In spite of lack of labour and insecurity on plantations, rubber production constantly increased during the course of 1947.

Products (in tons)	1939	1946	1947
Smoked leaves	54,140	16,054	28,000
Crepe	9,952	3,549	8,500
Sernamby	2,451	689	1,200
Latex	14	4	200
Total	66,557	20,296	37,900

#### Sugar cane

In 1947 the condition of sugar cane plantations was bad owing to shortage of fertilizers, lack of man power and the degeneration of canes, which necessitated a renewal of the vegetable material on the plantations. On the other hand, the insecurity which dominates certain areas of Cochinchina hinders the shipping of sugar cane. However, as a result of extremely profitable prices a slight increase in the sugar cane crops is noted, particularly at Thudaumot, where the area under cultivation reached 1,300 hectares as compared with 450 hectares at the end of 1945, as well as at Cholon where 1,800 hectares were under cultivation compared with 690 at the end of 1945; at Tanan, Mytho, old plantations are being replanted and areas under cultivation increase regularly. The sugar production of Hiep-Hoa factory of 5,100 in 1946 reached 13,400 tons in 1947. If the figures show an increase in comparison with the previous year, they are still far from the production figures for 1939-1944 of 17,000 tons. The situation in the country does not permit to obtain any information on the production of rural sugar plants.

#### Coffee

In Cochinchina, most of the plantations were abandoned. In Laos and

## TOWARDS ECONOMIC RECOVERY IN INDONESIA

The economic recovery of Indonesia is making steady progress. This is shown very clearly by the increase in exports as indicated by following figures:—Exports during the first half of 1947 amounted to 327.6 million kilogrammes to the value of fl. 144.4 million and during the second half they totalled 784 million kilogrammes to the value of fl. 188 million. This considerable increase mainly revealed itself during the last few months of the year, as is apparent from the following table:

1947	Weight (million kilogrammes)	Value (million guilders)
July	66.1	21.5
August	56.3	23.7
September	89.6	30.5
October	167.3	29.7
November	184.8	40.6
December	219.9	42

In 1948 the rise in export continued.

In January, for instance, they amounted to 336 million kilogrammes to the value of fl. 45.4 million, rising to fl. 61.9 million in February. In March exports (excluding mineral oils) totalled fl. 63 million.

#### Plantations crops.

The economic recovery also appears from the officially published estimates

Annam, plantations received the needed care, and the crop sown in October 1947 will be harvested in March 1948. Production is estimated at 2,600 tons.

#### Pepper

The withering of pepper plants worsened in Cambodia in 1947 and producers do not wish to incur any additional expenses on withering plantations. The 1947 crop was on the same level as the preceding year's crop, i.e. 1,500 tons.

#### Copra

Little information is available on the 1947 crop in Cochinchina. Badly managed coconut plantations yielded from 800 to 900 kgs of coora per hectare.

#### Ground nuts

Cambodia registered a decrease of these crops along its river banks. It seems, that crops tend to develop in Terres Rouges (Red Earth) to the detriment of cotton cultivation.

#### Cotton

Areas under cotton cultivation showed a net decline in 1947. This decline was due to a decrease in prices caused by the arrival of textile fabrics. Crops are satisfactory and Cambodia's production was estimated at 2,000 tons of unginned cotton.

#### Kapok

Kapok plantations were badly cared for in 1947. In Cochinchina no new plantations were reported and in Cambodia plantations were replanted with annual crops. 1947 exports amounted only to 1,600 tons, as compared with 3,800 tons in 1938.

of future estate yields. These yields, which were still very low in 1946 and 1947, are in many cases estimated at considerable and increasing quantities for 1948, 1949 and 1950, bearing in mind that owing to devastation, difficulties in obtaining machines and engaging skilled labour, estate cultivation needs more time to get under way than native tillage.

According to the estimates referred to above the rubber culture, having at present a production capacity of 315,000 tons in the whole Dutch-occupied territory of Indonesia, would produce 90,000, 180,000 and (allowing for an estimated international restriction of 30 per cent) 220,000 tons in the years 1948, 1949 and 1950 respectively.

For the tea culture these figures are 60,000 tons and 10,000, 25,000 and 45,000 tons, for coffee, from 16,000 to 18,000 tons and 9,000, 12,000 and 15,000 tons, for cinchona (present production capacity unknown), 500, 600 and 600 tons, for cocoa from 1,300 to 1,500 tons and 400, 800 and 1,200 tons, and for palm-oil 160,000 tons and 50,000, 110,000, and 150,000 tons. As to annual crops there are naturally no figures about production capacity, but there are estimates about the production in 1948, 1949 and 1950.

For sugar these estimates are 50,000, 300,000 and 500,000 tons, for Deli tobacco 1,000, 5,000 and 10,000 tons, for East-Java tobacco 1,000, 3,000 and 5,000 tons and for fibres 9,000, 12,000 and 15,000 tons.

#### Industry

In the industrial field, too, a revival may be noticed and a great effort is being made to make up the existing arrears. However, this revival differs from industry to industry. On January 1st, 1947, total industrial production amounted to about 25 per cent of the monthly production in 1940 and on January 1, 1948, it was at approximately 30 per cent. In the course of 1948, however, a considerable increase is expected. The following table gives a survey of the rates of production on January 1, 1947, and on January 1, 1948, in percentages of pre-war output:

	Jan. 1, 1947	Jan. 1, 1948
Engineering industry	20	40
Edible oil industry	35	50
(mainly coconut oil)	30	35
Rice-hulling mills	100	300
Margarine industry	40	60
Bakeries	25	35
Ice factories	50	120
Breweries	—	35
Paper-mills	—	30
Earthenware and cement industry	—	35
Manufacture of glow- lamps	—	35

On January 1, 1948 the glass industry was at 100 per cent, the dye works, the graphic industry, the furniture industry and the clothing industry at 50 per cent of the pre-war production. In other branches of industry, however, activity was at a lower level.

Good expectations are entertained of the year 1948.



